

CATALOGUE No:

67-504

OCCAISIONAL

UNIVERSITY OF TORONTO

DEPT. OF POLITICAL ECONOMY

NON-PERIOD REPT FILE



CANADA

Government
Publications

CANADA'S EXTERNAL SHORT-TERM ASSETS AND LIABILITIES

1945 - 1957

Reference Paper

DOMINION BUREAU OF STATISTICS

International Trade Division

Balance of Payments Section



Digitized by the Internet Archive
in 2024 with funding from
University of Toronto

<https://archive.org/details/39150116040203>

DOMINION BUREAU OF STATISTICS

International Trade Division

Balance of Payments Section

CANADA'S EXTERNAL SHORT-TERM
ASSETS AND LIABILITIES

1945 - 1957

Reference Paper

Published by Authority of

The Honourable Gordon Churchill, Minister of Trade and Commerce

November 1959
7503-516

Price 50 cents

CANADA'S EXTERNAL SHORT-TERM ASSETS AND LIABILITIES⁽¹⁾ 1945-1957

Since World War II there have been a number of developments which imposed stresses and strains of one sort or another on the Canadian balance of payments. These included a substantial inflow of private capital which began during the war and continued after it, reflecting relatively high interest rates in Canada and rising confidence in the Canadian dollar. The decision to revalue the Canadian dollar to parity, as one part of the anti-inflationary programme, in mid 1946, then led to heavy capital outflows as Canadian debtors paid off foreign currency obligations. The extensive programme of immediate post-war intergovernmental credits, whose impact was superimposed on the satisfaction of massive demands accumulated in Canada during the war, led to an exchange crisis and to the imposition of trade restrictions for balance of payments purposes in 1947. Devaluation of sterling and many other currencies in 1949, and the decision to devalue the Canadian dollar by a more moderate amount, was followed in 1950 by growing speculation that the Canadian dollar would again be revalued, which occurred against a background of economic dislocation triggered by the operations in Korea. The massive speculation which ensued led to the withdrawal of official exchange rates in Canada at the end of September, 1950, and in the following year the vestiges of exchange control were eliminated.

Experience in the exchange market since that time has focused increased interest on the amorphous group of transactions published in Canadian balance of payments statements as "other capital movements", and on the two separately published categories of movements of capital in short-term forms, viz. the change in Canadian dollar holdings of foreigners, and the change in official holdings of gold, United States dollars and sterling. The latter groups are well defined and have not presented any difficulty of measurement. "Other capital movements", on the other hand, include a wide variety of transactions which are in turn subject to diverse influences and many of which are not susceptible of easy or frequent direct measurement. Annual data for these three series of capital movements from 1946 to 1958 appear in table I, together with some of the component elements. (Descriptive comments and statistical notes on these types of capital movements appear below.)

Although much of the material covered in table I has been published in somewhat less comprehensive form in annual reports on the Canadian balance of international payments, the effects of many of these capital movements on Canada's balance of indebtedness have been covered only inadequately. Changes in Canadian dollar holdings of foreigners and in Canada's official holdings of gold and foreign exchange have been covered fully, and the movements of long-term capital have been reflected. An

(1) For other aspects see Canada's International Investment Position 1926-1954 and recent annual reports on the Canadian Balance of International Payments.

overall estimate of Canada's short-term assets abroad other than short-term commercial indebtedness and blocked currencies has appeared, but no detailed analysis of them has heretofore been available. And there have been available neither totals nor any analysis of short-term receivables and payables. With the substantial changes in these items evident from the capital movements data, greater knowledge of the character and size of these external assets and liabilities becomes a necessity for students of the mechanism of adjustment in the balance of payments, exchange rate behaviour, and related subjects. New work in these areas has been carried out, and it is now possible for the first time to complete the estimates of Canada's international assets and liabilities for the years since 1945, and to provide some special analysis for the years 1956 and 1957.(1)

The effect of these additions in 1956 is shown in statement I, when additional payables and receivables of \$0.7 billion and \$0.4 billion respectively are recorded. The figure of \$0.5 billion for "other Canadian short-term assets abroad" is also replaced by a more complete one which is better described as "bank balances and other short-term funds abroad n.i.e."(2) The net effect is to increase the estimate of Canada's net international indebtedness at the end of 1956 from \$9.7 billion to \$10.0 billion. In 1957 the new material adds \$0.7 billion to the estimate of net indebtedness. The estimates regularly published and the more comprehensive figures now available for the years 1945 to 1958 appear in tables II and III. These reveal that over these years the payables outstanding at the year-ends ranged between \$0.3 billion and \$1.0 billion, and receivables between \$0.1 billion and \$0.4 billion.(3) Bank balances and other short-term funds abroad n.i.e. varied between \$0.1 billion and \$0.9 billion. The annual movements of these figures are shown in the accompanying graph.

-
- (1) The Bureau recognizes that there are many inadequacies in the data now available, and hopes that as time goes on additional detail of some sectors may be provided. Material in this paper is, moreover, limited to annual data. More frequent data are essential for many types of study. Estimation of such material is fraught with difficulties arising from commodity, banking and other documentary floats, and from errors and omissions. The significance of these problems increases in relation to shorter terms, and becomes involved with the introduction of the further factor of seasonal influences.
 - (2) The difference reflects the existence of some holdings against which counterpart liabilities had been deducted in earlier estimates.
 - (3) Although the data are not completely consistent, it is interesting to compare the international receivables and payables of \$0.4 billion and \$0.7 billion respectively for 1956 with the aggregate receivables and payables of \$7.7 billion and \$5.9 billion respectively reported in Taxation Statistics for nearly 66,000 companies. Within the latter group many of the same balances would appear in both the receivables and payables totals.

Statement 1 Estimate of the Canadian Balance of International Indebtedness

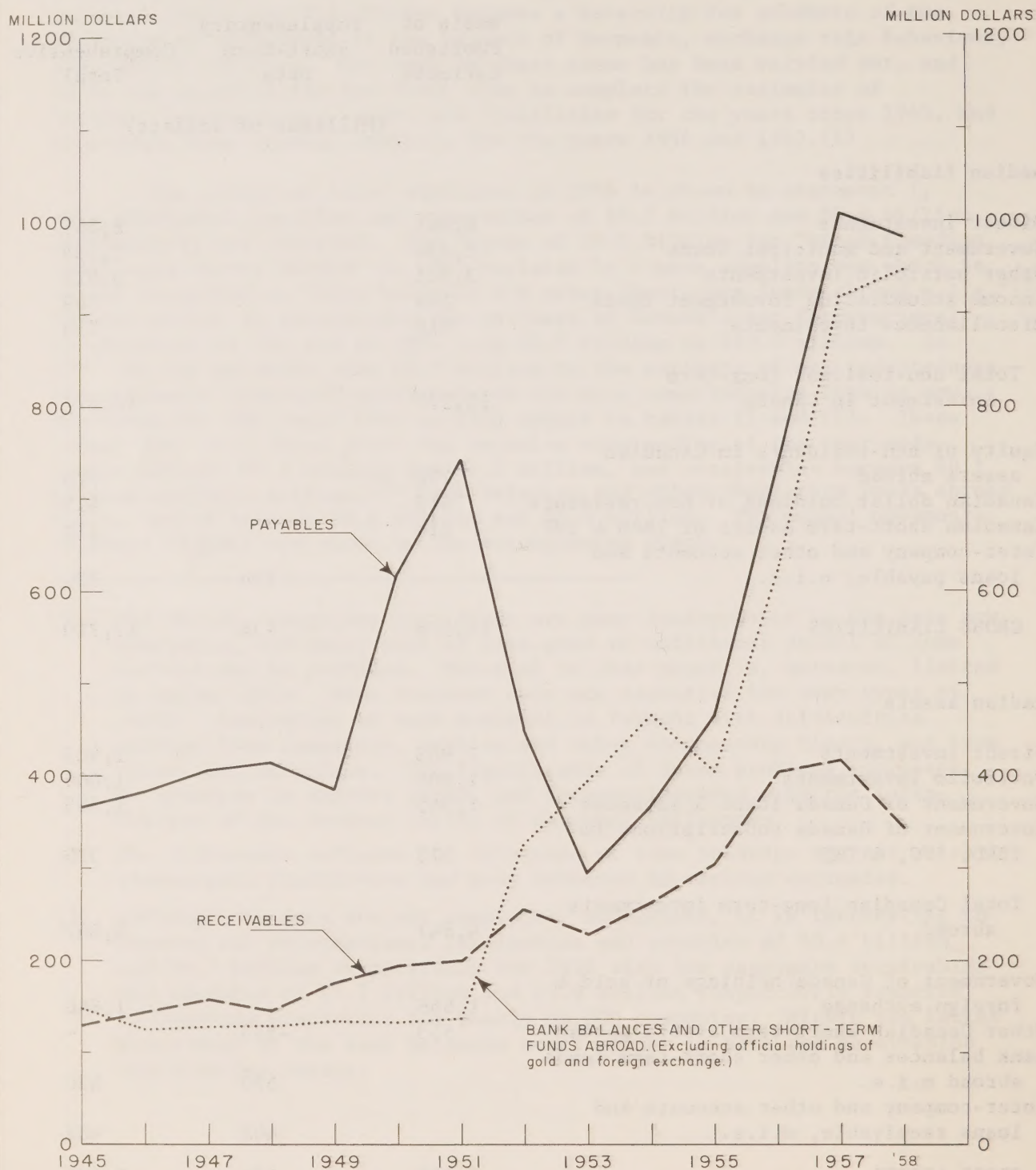
Year end 1956

	Basis of Published Estimate	Supplementary Short-term Data	Comprehensive Total
(Millions of dollars)			
Canadian liabilities			
Direct investments	8,865		8,865
Government and municipal bonds	2,134		2,134
Other portfolio investments	3,511		3,511
Income accumulating investment funds	249		249
Miscellaneous investments	818		818
Total non-resident long-term investment in Canada	15,577		15,577
Equity of non-residents in Canadian assets abroad	770		770
Canadian dollar holdings of non-residents	413		413
Canadian short-term assets of IBRD & IMF	216		216
Inter-company and other accounts and loans payable, n.i.e.		734	734
GROSS LIABILITIES	16,976	734	17,710
Canadian assets			
Direct investments	1,903		1,903
Portfolio investments	1,006		1,006
Government of Canada loans & advances	1,565		1,565
Government of Canada subscriptions to IBRD, IFC, & IMF	373		373
Total Canadian long-term investments abroad	4,847		4,847
Government of Canada holdings of gold & foreign exchange	1,866		1,866
Other Canadian short-term assets abroad	553	-553	-
Bank balances and other short-term funds abroad n.i.e.		620	620
Inter-company and other accounts and loans receivable, n.i.e.		403	403
GROSS ASSETS	7,266	470	7,736
NET INDEBTEDNESS	9,710	264	9,974

SHORT TERM RECEIVABLES AND PAYABLES, YEAR ENDS 1945-1958

INTER-COMPANY AND OTHER ACCOUNTS AND LOANS

(1956 Bench mark data adjusted for balance of payments entries including balancing item)



It would be quite wrong, however, to infer from the simultaneous rapid growths of holdings of foreign exchange and of net payables revealed on this graph that one was directly related to the other. This will be evident from the industrial detail for 1956 given in statements 2 and 3. But on the other hand the possibility of an indirect link cannot be discounted. For it is undoubtedly the case that some of the holdings have been sold for forward delivery, and at the same time that some of the payables have been covered by forward purchases of foreign exchange. The extent to which this process occurs is a product of varying degrees of financial liquidity, interest rate structures, and exchange rate expectations. No basis of quantitative evaluation exists.

Bank Balances and Other Short-term Funds Abroad 1956 and 1957

The variety of purposes for which foreign exchange may be held is at least indicated by the broad industry classifications for 1956 and 1957 given in statement 2. The holdings embrace such diverse functions as:

funds accumulated for the payment of past or future imports of goods and services or for capital commitments outside Canada,

funds accumulated from past or future exports of goods and services, or borrowing abroad for use in Canada,

funds temporarily employed abroad to take advantage of interest rates and/or forward exchange differentials.

The largest change in holdings during 1957 occurred in the mining and smelting category whose bank balances and other short-term funds abroad fell from \$127 million at the beginning of the year to \$72 million at the end. Published annual corporation reports have revealed some special elements in this total for 1956. The International Nickel Co. of Canada Ltd. was holding time deposits of nearly \$35 million for the redemption on the following February 1 of its preferred stock (which was payable in United States funds). And Northspan Uranium Mines Limited's balance sheet revealed over \$19 million in United States funds held in capital project funds. In the utilities group there were similar large capital projects funds.

The wood and paper products group is often thought of as an example of an export industry which from time to time may defer conversion of foreign exchange revenue awaiting exchange rates regarded as more favourable. On the basis of the year-end evidence for 1956 and 1957 this industry does not appear to be a major factor in Canadian holdings. It will be recalled that the closing quotation for the United States dollar in 1956 was just under 96 cents; the rate had only been lower in two of the seven years intervening since the withdrawal of official quotations,

Statement 2 Detail of Canadian Holdings of Bank Balances and Other Short-term Funds
Abroad

End of 1956 and 1957

(Millions of Canadian dollars)

<u>Classified by Industry</u>		<u>1956</u>	<u>1957</u>	<u>Classified by Control</u>	<u>1956</u>	<u>1957</u>
Manufacturing				Corporations controlled in United States	186	174
Vegetable products		4	9	Corporations controlled in United Kingdom	33	14
Animal products		1	2	Corporations controlled in other foreign countries	92	111
Textiles		-1	1	Corporations controlled in Canada	199	299
Wood and paper products		17	29	Sub-total: corporate sector	510	598
Iron and products		20	28	Governments, and not classified (see above)	110	318
Non-ferrous metals		17	27	TOTAL	620	916
Non-metallic minerals		6	31	<u>Classified by Currency</u>		
Chemicals and allied products		7	6	United States dollars	544	849
Miscellaneous manufactures		1	1	Sterling	54	43
Sub-total: manufacturing		72	134	Other foreign currencies	22	24
				TOTAL	620	916
Petroleum exploration and development companies		2	8	<u>Notes:</u>		
Other mining and smelting		127	72	(1) Includes inter alia holdings of Foreign Business Corporations and the spot positions or net holdings in foreign currencies of the head offices and branches in Canada of the chartered banks, (see page 13).		
Public utilities		45	53	(2) Excludes official holdings of gold, United States dollars and sterling; estimate is minimum - alternative estimates of 48 in 1956 and 73 in 1957 would reduce "not classified" item to 62 and 245 respectively.		
Merchandising		11	12	(3) See page 13.		
Financial institutions ⁽¹⁾		247	309	(4) Includes substantial amounts directly offset in payables (in regular statements of balance of indebtedness this liability is deducted from the balance).		
Other enterprises		6	10			
Sub-total: industry and commerce		510	598			
Governments etc. (including municipalities) (2)		24	26			
Not classified ⁽³⁾		86	292			
TOTAL ⁽⁴⁾		620	916			

and the closing rate was less than one-third of a cent above the recorded low quotation for the entire period. And in 1957 the closing rate was 98.4 cents.

Canadian Short-term Receivables and Payables Abroad 1956

Statement 3 shows that Canadian short-term receivables and payables abroad at the end of 1956 amounted to \$403 million and \$734 million respectively. As might be expected the export groups such as wood and paper products, and mining and smelting, showed net receivables, while the major importing groups such as iron and products, merchandising and non-metallic minerals showed substantial net payables. Very large net payables were also recorded in the financial group although to a considerable extent they were offset by foreign exchange held by some companies.

Notes on Capital Movements covered in Table 1

The first two sections of table 1 cover changes in specific types of external liabilities and assets which are easily recognized and understood. They require little comment. Canadian dollar holdings of foreigners at the end of 1958 amounted to \$484 million. Details are given in statement 4. Changes are published regularly as item D 14 in estimates of the Canadian balance of international payments. An important new element in the holdings of Canadian dollars by non-residents during 1958 was the establishment among the Government's deposit and trust accounts of a substantial balance in the "United States - S.A.C. bases account". This covers funds received by Canada from the United States Government for the purpose of facilitating the placing of contracts by the Royal Canadian Air Force on behalf of the United States Air Force in respect of Strategic Air Command bases. The Budget Paper tabled in the House of Commons on April 8, 1959, revealed an increase in this account during the twelve months ended March 31, 1959, estimated at \$43 million.

A development during 1959 which is a direct reflection of prevailing conditions in the short-term money market was the sale to non-residents during the first eight months of about \$250 million of Canadian treasury bills. While a substantial amount of these matured during the same period, non-resident holdings of Canadian treasury bills increased from \$50 million at the beginning of the year to nearly \$125 million at the end of August.

Canada's official holdings of gold and United States dollars amounted to U.S. \$1,939.1 million at the end of 1958, or to a Canadian dollar equivalent of \$1,870 million. Corresponding holdings of sterling were equivalent to a further Canadian \$9 million. Capital movements reflecting changes in these holdings are published regularly as item D 16.

Statement 3 Detail of Canadian Short-term Receivables and Payables

Year end 1956

	Receivables	Payables	Net
Classified by Industry	(Millions of dollars)		
Manufacturing			
Vegetable products	10	35	- 25
Animal products	2	3	- 1
Textiles	8	7	1
Wood and paper products	50	18	32
Iron and products	49	166	-117
Non-ferrous metals	37	55	- 18
Non-metallic minerals	10	53	- 43
Chemicals and allied products	8	22	- 14
Miscellaneous manufactures	3	6	- 3
Sub-total: manufacturing	177	365	-188
Petroleum exploration and development companies	1	3	- 2
Other mining and smelting	85	11	74
Public utilities	16	15	1
Merchandising	49	150	-101
Financial institutions ⁽¹⁾	41	171 ⁽²⁾	-130
Other enterprises	34	19	15
TOTAL	403	734	-331

Classified by Control			
Corporations controlled in United States	218	451	-233
Corporations controlled in United Kingdom	35	75	- 40
Corporations controlled in other foreign countries	25	142	-117
Corporations controlled in Canada	125	66	59
TOTAL	403	734	-331

Notes:

- (1) Includes Foreign Business Corporations and loans in Canada by the Chartered banks.
- (2) Includes substantial liabilities directly offset by holdings of foreign exchange.

Statement 4

Canadian Dollar Holdings of Foreigners

Year ends 1956-1958

	1956	1957	1958
	(Millions of dollars)		
Country of ownership			
United States	209	200	283
United Kingdom	91	73	77
Other Sterling Area	31	29	34
Other OEEC countries	63	60	64
All other countries	19	16	26
	<hr/>	<hr/>	<hr/>
Nature of holder			
Foreign official and banking institutions	189	168	232
Other foreigners	224	210	252
	<hr/>	<hr/>	<hr/>
Nature of holding			
Government of Canada Treasury Bills	48	28	50
Deposits with Bank of Canada and chartered banks of Canada	364	349	387
Other deposits, less identified outstanding cheques	1	1	47(1)
	<hr/>	<hr/>	<hr/>
TOTAL	413	378	484

Figures exclude holdings of the International Bank of Reconstruction and Development and of the International Monetary Fund.

(1) See page 7.

A wide variety of movements is covered in the category, "Other capital movements" published as item D 17 in the Canadian balance of payments statements, and some of the more significant detail is shown in table I. While most movements of long-term capital are treated as separate items in the balance of payments statements, there are certain transactions which do not fall within the regularly published categories. Examples include loans by agencies of the United Kingdom and United States Governments to Canadian corporations, generally associated with commodity supply contracts, other long-term loans between unrelated parties, capital movements by insurance company branches and by trusts, and deferred transfers by migrants. Among the official transactions of a long-term character were Canada's capital subscriptions to international financial organizations, and the post-war financial settlement which occurred in 1946 between the United Kingdom and Canada. Although nominally short-term, the change in short-term Canadian dollar holdings of the International Bank for Reconstruction and Development and the International Monetary Fund may usefully be taken into account with the Canadian dollar subscriptions to those organizations as representing on balance the implementation of the long-term subscriptions.

Another element in other capital movements which has been of particular importance at times is the external borrowing of funds by Canadian companies in the consumer credit field. These are shown separately in the statement.

It is in the other groups of transactions, which are mainly of a short-term nature, that most of the volatility of the item as a whole lies. They lend themselves to division into two broad categories, changes in bank balances and other short-term funds abroad (excluding official reserves), and all other transactions including changes in loans and accounts receivable and payable. As table I shows, the movements of capital in each of these categories have been sizeable.

There has been a very large growth in foreign currency bank balances and other short-term funds of Canadians, reflected in the substantial outflows of capital shown for this purpose. Increases were to have been expected as a result both of the return of Canadian banks to the role of principals in the exchange market in 1950, and the abolition of exchange control the following year, and of the need of increased working balances associated with the generally rising value of Canada's international trade over the period. The balances have also been affected by the varying exchange value of the Canadian dollar, not only through a tendency from time to time to defer transfer of receipts from abroad, but also through the operation of the forward exchange market. When the banking system in Canada is, on balance, a forward seller of exchange, equivalent holdings of exchange are acquired to meet the future commitment. The maintenance of overall balance in the trading positions of the chartered banks consequently leads to capital outflows or inflows as the banks' net forward exchange commitments to customers are increased or decreased.

The short-term money market is also an important factor in the holdings of foreign funds. For example, about the end of 1954 yields on Canadian treasury bills fell while those on United Kingdom issues increased. At the same time there was a significant premium on forward sterling. As a result Canadians during 1955 purchased \$144 million of United Kingdom treasury bills, exclusive of the employment of funds by the banking system. Most of these purchases also matured during the year, but at one time holdings reached \$75 million. There have been similar elements of interest arbitrage in United States currency but they are not as readily isolated in the data. In recent years there have occurred substantial growths in fixed deposits held in United States funds, reflecting similar interest and forward exchange differentials. To a considerable extent these represented deposits of Canadian residents and the funds were employed outside Canada by the banking system. In 1959, however, substantial non-resident fixed deposits in foreign currency were also attracted to Canada and these facilitated a reduction by the banking system of its net external assets. This process, of course, helped to alleviate the prevailing pressure for funds in Canada.

The final component of other capital movements includes all other short-term loans and accounts receivable and payable. These open account Canadian assets and liabilities aggregate many hundreds of millions of dollars. Changes in them may occur for a variety of reasons. The timing of settlements rarely coincides with physical movements of commodities as recorded in the current account and, as the terms of payment relating to different commodities also vary considerably, a change in either the composition or flow of imports or exports usually affects the balances due on open commercial account. Changes may also occur in the process of financing production and distribution, and definite seasonal patterns exist with respect to some commodities such as coal. Even long-term capital requirements may be met for limited periods through changes in open account balances, particularly in conditions of short supply or tight money, and in the case of parent-subsidiary transactions where credit risks are not an important factor. It should be recorded that a complete measure of Canada's international short-term commercial receivables and payables has not been available, and that the figures of changes include a balancing item covering the difference between the estimated current account balance and total measured capital movements. The annual movements in this component have generally been consistent with the recorded elements and the behaviour has justified its inclusion as an "other capital movement".

From time to time comment on the behaviour of these items and some of the background influences has been included in annual and quarterly reports in the Canadian balance of payments and it is not proposed in this paper to cover this material again.

STATISTICAL SOURCES AND METHODS

Canadian dollar holdings of foreigners (D14)

Total deposits of non-residents are obtained annually, classified by area, nature of holder, and nature of account, covering branches in Canada of the Bank of Canada and the chartered banks, trust and loan companies and other depositories. Quarterly data are obtained through a sampling of the more important depositories. Estimates of treasury bills held by non-residents are based on reported transactions and some identifiable holdings. Holdings of the International Bank for Reconstruction and Development and of the International Monetary Fund are excluded from these figures but are covered in item D17.

Official holdings of gold and foreign exchange (D16)

Figures of official holdings of gold and United States dollars are published monthly in the Bank of Canada Statistical Summary; the separate components are shown in greater detail in the Financial Supplement to the Summary, which also includes annual statements of the assets and liabilities of the Exchange Fund Account. The official holdings of sterling referred to earlier are reflected in the data appearing monthly in the International Monetary Fund's publication International Financial Statistics. The capital movements reflecting changes in official holdings of gold and foreign exchange appear as item D16 in estimates of the Canadian balance of payments. The figures represent the change in holdings (expressed in foreign currency) converted to Canadian dollars at the noon average exchange rate for the quarter. Consequently the amounts differ both from the change in holdings expressed in foreign currencies and from the change in the Canadian dollar equivalent of holdings from the beginning to the end of the quarter.

Other Capital movements (D17)

It will be apparent from table I that a wide variety of sources is used in constructing estimates of the component items of "other capital movements". To the extent that the material is derived from schedules, the most important source is the annual return on Schedule MF1 which appears as Appendix A. This return is made by all foreign controlled concerns in Canada, and all Canadian controlled concerns which control investments abroad, as well as several hundred other large Canadian corporations which might have significant amounts to report. Part I items (c), (e), (h) and (i) and Part II items (b) and (d) are an important source for the private long-term capital transactions which appear in table I, while Part III provides important detail of the two final elements, each of which is discussed separately below.

Bank balances and other short-term funds abroad (excluding official reserves)

For convenience of description these holdings may be divided into

two parts, (1) the spot positions or net holdings in foreign currencies of the head offices and branches in Canada of the chartered banks, exclusive of the cover for deposit liabilities in foreign currencies, and (2) foreign currency deposits of other residents of Canada whether with banks in Canada or abroad. The banking position is estimated from data obtained from the banking system and changes in it, expressed in foreign currency, are converted to Canadian dollars at the average noon rates for the period covered. As the purpose of the series is to measure capital flows the series used have been selected to eliminate the effects of changes in reserves against foreign currency assets.

The second part of the holdings is more difficult to measure. A considerable part of the balances is reflected on Schedule MF1 in Part III items (a)(1), (2) and (3). This schedule does not, of course, cover all resident holders of foreign currency balances. It is often possible to identify some other significant holdings which are then added, but it is obvious that the resulting figures cannot be complete. Measurement of the capital movement in this item as reflected on Schedule MF1 involves the conversion of the reported Canadian dollar figures for the beginning and end of the year to foreign currency (using the appropriate closing exchange rates for the United States dollar and sterling). The changes in these figures are then reconverted to Canadian dollars at the average noon rates. The rates for the United States dollar are normally used in calculating the Canadian dollar equivalent of the changes in currencies other than United States dollars and sterling, on the assumption that the exchange values of these currencies vis-a-vis the United States dollar have been on the whole relatively stable.

But a more comprehensive figure of the change may be derived through the use of aggregative banking statistics where these are available. The procedure followed with respect to the calculation of the capital movement reflecting changes in non-banking holdings of United States dollars is given in Appendix B and will suffice as an example.

The difference between the aggregative measure and the total of identified balances appears in statement 2 in the category "not classified". The sources of the detailed series have already been indicated, and it will be noted that there is virtually no coverage of holdings by individuals, or by some types of corporate holders. These would include the holdings of the investment community and of companies or institutions with limited international relationships. Because of the sources which have had to be used there may be important elements of float in the item as well as some accounts which are not the property of residents.

Figures of short-term banking liabilities to Canadians are reported monthly to the United States Treasury, and at the end of 1958 they amounted to \$2,019 million expressed in United States funds. (By July 1959 the total had reached \$2,238 million). From this figure may be excluded \$13 million of liabilities payable in currencies other than United States dollars, and there may be offset a further \$13 million of short-term loans made in

United States dollars to Canadian banks and official institutions. This leaves an amount of \$1,993 million. A partial reconciliation of this figure with the United States dollar portion of the estimated Canadian holdings which are discussed in this paper appears as statement 5, with corresponding data for some earlier years.

Short-term loans and accounts receivable and payable

The directly measurable capital movement covering changes in short-term loans and accounts receivable and payable is also derived from Part III of Schedule MF1, using items (b) to (f) inclusive. An examination of the schedule (Appendix A) will make clear the character of the elements. Significant amounts of direct investment capital are provided on an open account or demand basis notwithstanding the fact that they are employed in fixed assets or as necessary working capital with no prospect of early repayment. Thus some of the changes in the inter-company and inter-branch accounts and in other accounts and short-term loans receivable or payable, all of which are covered in Part III, inevitably fall within the long-term category as defined for Canadian balance of payments purposes (intended -- or likely -- to remain outstanding for a period of more than one year). Allowances for such changes are made through item (f) which permits identification (and elimination) of those parts of the changes which have also been recorded as inflows or outflows in Parts I and II of the schedule which cover movements of capital affecting long-term foreign investment in Canada or long-term Canadian investment abroad. (In both 1955 and 1956 the amounts of these adjustments exceeded \$100 million). It has already been noted that the resulting series of directly measurable changes is not published separately. To it is added the balancing item representing the difference between the estimated current account balance and total measured capital movements. This practice is followed because a complete measure of Canada's international short-term commercial receivables and payables has not been available and the area measured has varied considerably over time.

Statement 5 Reconciliation of Canadian and United States Data on
 Canadian Holdings of United States Funds
 (Millions of United States dollars)

	<u>1948</u>	<u>1951</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>
Official holdings of gold and United States dollars	998	1,779	1,936	1,828	1,939
United States bank balances and other short-term funds (excluding official holdings)	109	135	567	863	908
	<hr/>				
Total Canadian holdings	1,107	1,914	2,503	2,691	2,847
Deduct:					
Portion of official holdings of gold and United States dollars not included in United States series described below ⁽¹⁾	-401	-843	-1,401	-1,458	-1,325
Add:					
Balances not otherwise accounted for, mainly deposits by non-residents in Canada in United States currency	66	229	386	348	471
	<hr/>				
Short-term banking liabilities payable to Canadians in United States dollars, less short-term loans to Canadian banks and official institutions payable in United States dollars (as reported to the United States Treasury)	772	1,300	1,488	1,581	1,993

- (1) Statements of Assets and Liabilities of the Exchange Fund Account reveal holdings of gold, United States dollar deposits, treasury bills, and other U.S. Government securities, which are further described as U.S. Treasury Notes and Certificates of Indebtedness. Treasury notes are issued having original maturities of one to five years, certificates of indebtedness of not more than one year.

The annual movements in this residual, termed the balancing item, have on occasion been large but have generally been consistent with the recorded elements and the behaviour of the residual has seemed to justify this treatment. Although in several years the residual has been of appreciable size these unrecorded transactions have shown a tendency to cancel out in subsequent periods. Consequently, during the past decade the net amount of the residual has been relatively negligible. This suggests that it has chiefly reflected irregular unrecorded transactions and "floats" rather than any consistent biases in methods of recording and estimating the diversity of transactions covered in the balance of payments.

Among factors which are reflected in the residual are those arising from the inevitable differences in timing which occur in the recording of transactions. These are particularly significant in movements of commodity trade and the related financial settlements for them. Some of the timing differences, therefore, are a type of "float" arising from statistical factors such as timing differences in data originating in various sources, as well as those which are the result of decisions having the effect of accelerating or retarding financial settlements.

Estimates of the outstanding amounts of some short-term assets and liabilities have not heretofore been available. Two types of estimate were possible. The first of these would be directly related to the capital movements data described above involving merely the elimination of the cumulative amounts of change recorded in the balance of payments as long-term in character. But the changing sources used in the construction of balance of payments statements over the years would have made this an exceedingly difficult task and, even more important, the resulting estimates would have matched only imprecisely with the estimates of Canada's long-term external assets and liabilities which have been included for many years in statistics of Canada's international investment position. It has not been possible to achieve complete consistency between the classifications of short and long-term used in the balance of payments and in the investment position. One example of the difficulty lies in the unincorporated branches where the entire value of the branch is taken as long-term investment, although some parts of the capital movement may not have been so treated. The second estimate of the amounts outstanding has therefore been constructed by identifying and eliminating from the amounts appearing in each category of Part III of Schedule MF1 amounts which are already recorded in the regular investment position series. The reconciliation between the amounts originally shown on the schedule and the final estimates appears in statement 6.

The completion of estimates for the end of 1956 makes it possible to derive from this benchmark estimates of the assets and liabilities for other year-ends, through the application of capital movements data. With the addition of these estimates to the material already covered, estimates of the Canadian balance of international indebtedness become schematically complete.

Statement 6 Reconciliation of Short-term Data (excluding bank balances)

Reported on Schedule MF1

With Final Estimates of Receivables and Payables n.i.e. 1956

	Inter-company and/or inter- branch accounts	Other Accounts	Short-term loans	Total
(Millions of dollars)				
Receivables				
Amounts tabulated on Schedule MF1	271	199	29	499
Add				
Corrections and adjustments	9	12	12	33
Subtract amounts already covered in				
Direct investment in Canada (in net assets of unincorporated branches)	- 11	- 5	-	- 16
Direct investment abroad	-113	-	-	-113
Total	156	206	41	403
Payables				
Amounts tabulated on Schedule MF1	1,141	151	76	1,368
Add				
Corrections and adjustments	54	11	18	83
Subtract amounts already covered in				
Direct investment in Canada				
Long-term indebtedness	-308	-	- 5	-313
Net assets of unincorporated branches	-399	- 2	- 1	-402
Direct investment abroad	- 2	-	-	- 2
Total	486	160	88	734

TABLE I SELECTED CAPITAL MOVEMENTS 1946 - 1958

A minus sign indicates an outflow of capital from Canada

	Balance of Payments item	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958
(Millions of dollars)														
<u>Change in Canadian Dollar Holdings of Non-Residents</u>														
United States	D14	+ 27	- 3	- 14	- 8	+ 89	- 53	- 37	- 1	+ 19	+ 66	- 48	- 10	+ 83
United Kingdom	D14)	+ 32	- 4	- 20	+ 62	+116)	-138)	- 13	- 13	+ 10	+ 9	+ 16	- 18	+ 4
Other Sterling Area	D14)						+ 10	- 9	- 4	- 4	+ 2	- 2	- 2	+ 5
Other OEEC Countries	D14	+ 13	- 20	+ 10	- 12	+ 21	- 11	- 5	+ 4	+ 4	+ 12	+ 3	- 3	+ 4
All Other Countries	D14	- 2	+ 1	+ 3	- 2	+ 7	-	- 2	- 4	+ 5	-	+ 7	- 2	+ 10
Total		+ 70	- 26	- 21	+ 40	+233	-192	- 66	- 18	+ 34	+ 89	- 24	- 35	+106
<u>Change in Official Holdings of Gold, United States dollars and Sterling (increase, minus)</u>														
Gold and United States dollars	D16	+251	+743	-496	-134	-694	- 39	- 80	+ 42	-121	+ 42	- 34	+104	-108
Sterling	D16	+ 16	- 1	+ 4	+ 6	- 28	- 17	+ 43	- 4	- 3	+ 2	+ 1	+ 1	- 1
Total		+267	+742	-492	-128	-722	- 56	- 37	+ 38	-124	+ 44	- 33	+105	-109
<u>Composition of "Other Capital Movements"</u>														
Loans by Government of United Kingdom to a Canadian corporation	D17	-	-	-	-	-	+ 25	+ 22	+ 20	-	-	-	-	-
Canadian gold and U.S. dollar subscriptions to IBRD and IMF	D13(3)	- 8	- 74	-	-	-	-	-	-	-	-	-	-	-
IFC	D17	-	-	-	-	-	-	-	-	-	-	- 4	-	-
Canadian dollar subscriptions to IBRD and IMF	D17	- 26	-257	-	- 28	-	-	-	-	+ 29	- 4	- 1	+ 8	- 3
Short-term Canadian dollar holdings of IBRD and IMF	D17	+ 26	+257	-	+ 23	- 5	- 4	- 1	- 18	- 42	- 5	- 16	- 7	+ 2
UK Financial Settlement and Interim Advances (net)	D12(3)	+ 38	-	-	-	-	-	-	-	-	-	-	-	-
Long-term capital transactions n.i.e.	D17	+ 3	- 24	- 12	- 16	- 5	+ 3	- 24	- 10	+ 29	+ 49	+152	+ 42	+ 84
Borrowings by finance companies n.i.e.	D17	-	-	-	-	-	-	+ 35	+ 19	+ 11	+ 23	+ 64	+ 5	+ 17
Government of Canada refunding loan proceeds account	D15(3)	-	-	-	- 18	+ 18	-	-	-	-	-	-	-	-
Bank balances and other short-term funds abroad (excluding official reserves)(1) n.i.e.	D17	- 15	- 8	- 2	+ 16	- 7	- 14	-168	- 79	- 75	+ 91r	-215r	-274	- 60
All other transactions including changes in loans and accounts receivable and payable(2) n.i.e.	D17	+ 5	+ 5	+ 21	- 57	+209	+118	-375	-117	+ 20	+ 50r	+168r	+321	- 41
TOTAL		+ 23	-101	+ 7	- 80	+210	+128	-511	-185	- 28	+204	+148	+ 95	- 1

P - Preliminary

(1) Estimated partly from United States and other non-Canadian sources, as Canadian data do not cover all holdings.

(2) Includes also balancing item representing difference between direct measurements of current and capital accounts.

(3) Original category; currently grouped with D17.

TABLE II Estimate of the Canadian Balance of International Indebtedness, Selected Year Ends 1926-1958

(exclusive of short-term commercial indebtedness and blocked currencies)

(Billions of dollars)

	1926	1930	1933	1939	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958 ⁽⁵⁾
Canadian Liabilities (Foreign Capital Invested in Canada)																		
Direct investments	1.8	2.4	2.4	2.3	2.7	2.8	3.0	3.3	3.6	4.0	4.5	5.2	6.0	6.8	7.7	8.9	10.1	11.0
Government and municipal bonds	1.4	1.7	1.7	1.7	1.7	1.6	1.5	1.6	1.8	2.0	2.1	2.1	2.1	2.1	1.9	2.1	2.3	2.7
Other portfolio investments	2.5	3.2	3.0	2.6	2.4	2.5	2.4	2.3	2.3	2.4	2.5	2.7	2.9	3.1	3.1	3.5	3.9	4.2
Income accumulating investment funds	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.2	0.2	0.3	0.3
Miscellaneous investments	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4 ⁽⁴⁾	0.5	0.6	0.6	0.8	0.9	0.9
Total non-resident long-term investment in Canada	6.0	7.6	7.4	6.9	7.1	7.2	7.2	7.5	8.0	8.7	9.5	10.4	11.5	12.5	13.5	15.6	17.5	19.1
Equity of non-residents in Canadian assets abroad	(2)	(2)	(2)	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.6	0.6	0.7	0.8	0.8	0.9
Canadian dollar holdings of non-residents	(2)	(2)	(2)	0.3	0.3	0.4	0.3	0.3	0.4	0.6	0.4	0.3	0.3	0.3	0.4	0.4	0.4	0.5
Canadian short-term assets of IBRD and IMF	-	-	-	-	-	-	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Gross Liabilities	6.4	8.0	7.7	7.4	7.6	7.8	8.1	8.4	8.9	9.9	10.6	11.4	12.6	13.7	14.8	17.0	18.9	20.7
United States	3.5	4.9	4.7	4.5	5.4	5.7	5.7	6.0	6.4	7.1	7.9	8.5	9.5	10.3	11.1	12.6	14.2	15.6
United Kingdom	2.7	2.9	2.8	2.6	1.8	1.7	1.7	1.7	1.8	2.0	1.9	2.0	2.2	2.3	2.5	2.8	3.1	3.3
Other countries, IBRD and IMF	0.2	0.2	0.2	0.3	0.4	0.4	0.7	0.7	0.7	0.8	0.8	0.9	1.0	1.0	1.2	1.5	1.7	1.8
Canadian Assets (Canadian Capital Invested Abroad)																		
Direct investments	0.4	0.4	0.4	0.7	0.7	0.8	0.8	0.8	0.9	1.0	1.2	1.3	1.5	1.6	1.7	1.9	2.1	2.1
Portfolio investments	0.5	0.8	0.9	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.8 ⁽⁴⁾	0.9	0.9	1.0	1.0	1.1	1.1
Government of Canada loans and advances	-	-	-	-	0.7	1.4	1.8	1.9	2.0	2.0	1.9	1.9	1.8	1.7	1.6	1.6	1.5	1.5
Government of Canada subscriptions to IBRD, IFC and IMF	-	-	-	-	-	-	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Total Canadian long-term investments abroad	0.9	1.3	1.3	1.4	2.0	2.7	3.6	3.6	4.0	4.0	4.1	4.4	4.5	4.6	4.7	4.8	5.0	5.0
Government of Canada holdings of gold and foreign exchange	(2)	(2)	(2)	0.5	1.7	1.3	0.5	1.0	1.2	1.9	1.8	1.8	1.8	1.9	1.9	1.9	1.8	1.9
Other Canadian short-term assets abroad	(3)	(3)	(3)	-	0.1	-	-	-	0.1	0.1	0.1	0.3	0.4	0.4	0.3	0.6	0.8	0.9
Gross Assets	1.3	1.5	1.4	1.9	3.8	4.0	4.1	4.7	5.2	5.9	6.0	6.4	6.6	6.9	7.0	7.3	7.7	7.8
Government of Canada holdings of gold and foreign exchange	-	-	-	0.5	1.7	1.3	0.5	1.0	1.2	1.9	1.8	1.8	1.8	1.9	1.9	1.9	1.8	1.9
United States ⁽¹⁾	0.7	0.9	0.8	0.9	0.9	0.8	0.8	0.8	1.1	1.1	1.4	1.7	2.0	2.1	2.2	2.5	2.9	3.0
United Kingdom ⁽¹⁾	0.1	0.1	-	0.1	0.7	1.2	1.5	1.5	1.6	1.6	1.5	1.5	1.5	1.5	1.4	1.4	1.4	1.3
Other countries, IBRD, IFC and IMF	0.5	0.5	0.6	0.4	0.5	0.7	1.3	1.4	1.3	1.3	1.3	1.4	1.4	1.4	1.4	1.5	1.5	1.6
Canadian Net International Indebtedness																		
Net Liabilities	5.1	6.5	6.3	5.5	3.9	3.8	4.0	3.7	3.7	4.0	4.6	5.0	6.0	6.8	7.8	9.7	11.2	12.9
Government of Canada holdings of gold and foreign exchange	-	-	-	-0.5	-1.7	-1.3	-0.5	-1.0	-1.2	-1.9	-1.8	-1.8	-1.8	-1.9	-1.9	-1.9	-1.8	-1.9
United States ⁽¹⁾	2.8	4.0	3.9	3.6	4.6	4.9	4.9	5.2	5.3	6.0	6.5	6.8	7.5	8.2	8.8	10.1	11.2	12.7
United Kingdom ⁽¹⁾	2.6	2.8	2.8	2.5	1.1	0.5	0.2	0.2	0.2	0.4	0.4	0.5	0.7	0.9	1.1	1.4	1.7	1.9
Other countries, IBRD, IFC and IMF	-0.3	-0.3	-0.4	-0.1	-0.3	-0.6	-0.7	-0.7	-0.6	-0.5	-0.5	-0.5	-0.4	-0.4	-0.2	-	-0.1	0.2

(1) Exclusive of Government of Canada holdings of gold and foreign exchange.

(2) Not available.

(3) Not available; net external assets of the Chartered Banks of Canada amounted to \$370 million in 1926, \$180 million in 1930, and \$91 million in 1933.

(4) New series not strictly comparable with earlier years.

(5) Preliminary estimate.

N.B. As above figures are rounded, totals do not necessarily equal the sum of their component parts.

TABLE III Estimate of the Canadian Balance of International Indebtedness, Selected Year Ends 1945-1958

(comprehensive estimate)

(Billions of dollars)

	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958 ⁽⁵⁾
Canadian Liabilities (Foreign Capital Invested in Canada)														
Direct investments	2.7	2.8	3.0	3.3	3.6	4.0	4.5	5.2	6.0	6.8	7.7	8.9	10.1	11.0
Government and municipal bonds	1.7	1.6	1.5	1.6	1.8	2.0	2.1	2.0	2.1	2.1	1.9	2.1	2.3	2.7
Other portfolio investments	2.4	2.5	2.4	2.3	2.3	2.4	2.5	2.7	2.9	3.1	3.1	3.5	3.9	4.2
Income accumulating investment funds	-	-	-	-	-	-	-	-	-	0.1	0.2	0.2	0.3	0.3
Miscellaneous investments	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4(4)	0.5	0.6	0.6	0.8	0.9	0.9
Total non-resident long-term investment in Canada	7.1	7.2	7.2	7.5	8.0	8.7	9.5	10.4	11.5	12.5	13.5	15.6	17.5	19.1
Equity of non-residents in Canadian assets abroad														
Canadian dollar holdings of non-residents	0.2	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.5	0.6	0.7	0.8	0.8	0.9
Canadian short-term assets of IBRD and IMF	0.3	0.4	0.3	0.3	0.4	0.6	0.4	0.3	0.3	0.3	0.4	0.4	0.4	0.5
Inter-company and other accounts and loans payable, n.i.e.	-	-	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2
	0.4	0.4	0.4	0.4	0.4	0.6	0.7	0.5	0.3	0.4	0.5	0.7	1.0	1.0
Gross Liabilities	8.0	8.2	8.5	8.8	9.3	10.5	11.3	11.9	12.9	14.1	15.3	17.7	19.9	21.7
Canadian Assets (Canadian Capital Invested Abroad)														
Direct investments	0.7	0.8	0.8	0.8	0.9	1.0	1.2	1.3	1.5	1.6	1.7	1.9	2.1	2.1
Portfolio investments	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.8(4)	0.9	0.9	1.0	1.0	1.1	1.1
Government of Canada loans and advances	0.7	1.4	1.8	1.9	2.0	2.0	1.9	1.9	1.8	1.7	1.6	1.6	1.5	1.5
Government of Canada subscriptions to IBRD, IFC and IMF	-	-	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Total Canadian long-term investments abroad	2.0	2.7	3.6	3.6	4.0	4.0	4.1	4.4	4.5	4.6	4.7	4.8	5.0	5.0
Government of Canada holdings of gold and foreign exchange														
Bank balances and other short-term funds abroad, n.i.e.	1.7	1.3	0.5	1.0	1.2	1.9	1.8	1.8	1.8	1.9	1.9	1.9	1.8	1.9
Inter-company and other accounts and loans receivable, n.i.e.	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.4	0.5	0.4	0.6	0.9	0.9
	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.3	0.2	0.3	0.3	0.4	0.3	0.3
Gross Assets	4.0	4.2	4.4	4.9	5.5	6.2	6.3	6.7	6.9	7.2	7.4	7.7	8.1	8.2
Canadian Net International Indebtedness	4.0	4.0	4.1	3.9	3.8	4.3	5.0	5.1	6.0	6.8	7.9	10.0	11.9	13.5

For notes, see table II

Appendix A



DOMINION BUREAU OF STATISTICS

OTTAWA - CANADA

December 31, 1959.

Reference ITD: MF1

Dear Sirs:

The Bureau would appreciate your assistance in the compilation of statements of Canada's balance of international payments in 1959 through completion of schedule MF 1 overleaf. You will note that the schedule does not ask for figures of all your international transactions as some data are compiled through other sources. When an item is not applicable to your business or the figure is below the reporting limit (amounts are requested in thousands of dollars), please insert a dash.

As it will be necessary for us to complete first preliminary estimates by early February, we should very much like to have one copy of the schedule returned at an early date.

The information submitted will be held in strict confidence and will be seen only by persons who have taken an oath of secrecy. The enquiry is made under the Statistics Act, 11-12 Geo. VI c.45.

Your co-operation will be greatly appreciated.

Yours very truly,

A handwritten signature in cursive script, reading "C. D. Blyth".

C. D. Blyth,
Chief,
Balance of Payments Section.

DOMINION BUREAU OF STATISTICS - BALANCE OF PAYMENTS SECTION

Schedule MF1

MOVEMENTS OF FUNDS BETWEEN CANADA AND OTHER COUNTRIES

Confidential

CALENDAR YEAR, 1959

Keep one
copy for
your files

I. MOVEMENTS OF CAPITAL AFFECTING LONG TERM¹ FOREIGN INVESTMENT IN CANADA

Express all amounts
to nearest thousand
Canadian dollars

Movement into Canada during 1959 -

(a) Investment ² by parent company, head office or principal owners	\$ M
(b) Securities of Canadian company sold abroad ³ (Attach description of issues)	<div> <div>(1) Bonds and debentures</div> <div>(2) Stocks</div> </div>
(c) Other loans from non-residents ³ (State country	\$ M
(d) Simultaneous reinvestment of dividends	\$ M
(e) Other (Specify)	\$ M

Movement out of Canada during 1959 -

(f) Liquidation of investment ⁴ by parent company, head office or principal owners (Capital withdrawals, sale of assets in Canada to Canadian residents, etc.)	\$ M
(g) Retirements of securities of Canadian company held outside Canada ³ (Omit repurchases on your behalf by offices in Canada of investment firms)	<div> <div>(1) Bonds and debentures</div> <div>(2) Preferred stocks</div> </div>
(h) Repayments to non-residents of other loans ³ (State country	\$ M
(i) Other (Specify)	\$ M

II. MOVEMENTS OF CAPITAL AFFECTING LONG TERM¹ CANADIAN INVESTMENT ABROAD

Movement out of Canada during 1959 -

	U. S.	U. K.	Other specify countries
(a) Investment through provision of cash, merchandise or services by Canadian parent company, head office or principal Canadian owners	\$ M		
(b) Other (Specify)	\$ M		

Movement into Canada during 1959

(c) Liquidation of investment by Canadian parent company, head office or principal Canadian owners	\$ M		
(d) Other (Specify)	\$ M		

III. SHORT TERM FOREIGN ASSETS AND LIABILITIES

		At December 31, 1958	At December 31, 1959
(a) Foreign currency bank balances, treasury bills and similar short term holdings (whether held in Canada or abroad)	<div> <div>(1) U.S. Dollars</div> <div>(2) Sterling</div> <div>(3) Other currencies</div> </div>	\$ M	
(b) Inter-company and/or inter-branch accounts	<div> <div>(1) Credit balance (owing abroad)</div> <div>(2) Debit balance (owing to Canada)</div> </div>	\$ M	
(c) Other accounts receivable from non-residents		\$ M	
(d) Other accounts payable to non-residents		\$ M	
(e) Short term loans and advances not reported in Part I or II	<div> <div>(1) Receivable from non-residents</div> <div>(2) Payable to non-residents</div> </div>	\$ M	
(f) Amounts in Part I or II above which are also included in inter-company accounts	<div> <div>(1) Under credit balance - III (b) 1</div> <div>(2) Under debit balance - III (b) 2</div> </div>	Dr/Cr \$ M	Dr/Cr \$ M

IV. OTHER ITEMS

Express all amounts
to nearest thousand
Canadian dollars

Receipts⁵ from non-residents during 1959 -

(a) Receipts of interest, dividends (from subsidiaries) and profits (from branches). (Attach list of amounts by countries).... \$ M

(b) Losses (net) of unincorporated Canadian branches of non-resident corporations, debited to branch control account \$ M

(c) Receipts for business and miscellaneous services and charges⁶
(Omit exports, freight and shipping transactions)

(1) From head office or affiliated companies \$ M
(2) From other non-residents \$ M

Payments⁵ to non-residents during 1959 -

(d) Dividend payments by companies incorporated in Canada (or incorporated under foreign law substantially for the purpose of engaging in business in Canada)⁷

(1) Common stock \$ M
(Gross dividends to residents and non-residents ... \$ M)
(2) Preferred stocks \$ M
(Gross dividends to residents and non-residents ... \$ M)

Tax withheld	Net to non-residents

(e) Profits (net) of unincorporated Canadian branches of non-resident corporations, remitted or credited to branch control account \$ M

(f) Losses of unincorporated branches abroad debited to branch control account \$ M

(g) Interest { (1) On bonds and debentures \$ M
(2) Other \$ M

(h) Payments for business and miscellaneous services and charges⁶
(Omit imports, freight and shipping transactions)

(1) To head office or affiliated companies \$ M
(2) To other non-residents \$ M

V. NOTES TO ITEMS

- Intended or likely to remain outstanding for a period of more than one year.
- Long term transfers from abroad (in form of cash, merchandise or services); include funds from bank accounts in Canada of principals outside Canada and repayments by principals of loans from Canadian branch or company.
- Exclude transactions with parent company, head office or principal owners included above.
- Reduction of long term investment of parent company, head office or principal owners; include loans from Canadian branch or subsidiary to principals abroad.

5. Amounts directly remitted, charged to accounts, or settled by issue of stock, notes, etc. to creditor.

6. Include such items as royalties, patents, copyrights, advertising, commercial and financial services including commissions, services of a professional, technical, administrative or management nature including salaries to non-residents, and all other receipts from or payments to non-residents for services.

7. Include bonus payments and dividends paid and simultaneously reinvested but exclude stock dividends.

VI. If the data reported do not cover affiliated or related companies in Canada, give name and Canadian address to which schedules can be mailed.

Name of company			
Canadian address			
Signature of responsible officer			
Date	Office use only		

Any comments or qualifications which you feel might be usefully added to this material would be appreciated (additional space on reverse side).

Appendix B

Procedure used for construction of capital movement estimate covering change in non-banking holdings of United States bank balances and other short-term funds

- A 1 Deposits (other than deposits of banks), with branches in Canada, in currencies other than Canadian (part of liability item 8 in the returns of the Assets and Liabilities of the Chartered Banks of Canada made pursuant to section 103 of the Bank Act).
- 2 Item A 1 converted to equivalent U.S. dollars at closing exchange rate.
- 3 Change in item A 2 from previous month.
- 4 Item A 3 converted to Canadian dollars at average noon exchange rate.
- 5 Change in non-resident-owned balances in Canada.
- 6 Change in resident-owned balances in foreign currencies other than United States dollars.
- 7 Change in Canadian-owned deposits in Canada in currencies other than Canadian (adjusted) (A 4 - A 5 - A 6).
- B Change in private Canadian holdings of United States short-term securities (estimated from purchases and sales reported by security dealers, etc.)
- C 1 Short-term liabilities payable in United States dollars to Canadians other than Canadian banks and official institutions (reported monthly to the United States Treasury by the United States banks).
- 2 Change in item C 1.
- 3 Item C 2 converted to Canadian dollars at average noon exchange rate.
- D Change in private Canadian-owned holdings of United States dollars (A 7 + B + C 3)

Some elements of the foregoing are estimated on the basis of incomplete data.